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Thirtieth
ANNUAL
REPORT
to Shareholders

for 52 weeks ending
July 2, 1955



STOP & SHOP, INC.

BOSTON, MASSACHUSETTS

MRB
Corp. File

STOP & SHOP, INC.
393 D STREET, BOSTON 10, MASS

Officers

JOSEPH RABINOVITZ	<i>President</i>
SIDNEY R. RABB	<i>Chairman of the Board and Treasurer</i>
WALTER A. METCALF	<i>Vice-President</i>
MICHAEL F. O'CONNELL	<i>Vice-President</i>
IRVING W. RABB	<i>Vice-President</i>
NORMAN S. RABB	<i>Vice-President</i>
JACOB RABINOVITZ	<i>Vice-President</i>
LLOYD D. TARLIN	<i>Vice-President</i>
MAX E. BERNKOPF	<i>Clerk</i>
ARTHUR L. SHERIN	<i>Assistant Clerk</i>

Directors

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MAX E. BERNKOPF	JACOB RABINOVITZ
A. K. COHEN	JOSEPH RABINOVITZ
IRVING W. RABB	ARTHUR L. SHERIN
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LLOYD D. TARLIN

Transfer Agents

THE FIRST NATIONAL BANK
OF BOSTON

Registrars of Stock

THE NATIONAL SHAWMUT BANK
OF BOSTON

Auditors

MYRON HELLER & COMPANY
BOSTON

To the Shareholders of Stop & Shop:

This report is the thirtieth annual report to shareholders and brings to you the results of our fiscal year ending July 2, 1955. Both earnings and average weekly sales were at the highest level in our history.

Sales for the 52-week year were \$82,430,337 as compared to \$79,651,017 for the 53 weeks in the last fiscal year, or a gain on the basis of average weekly sales of 5.48%.

Price levels at retail were about the same as a year ago.

Our net income after taxes for the year was \$1,003,517 or \$2.80 per share compared with \$802,033 or \$2.24 per share for the previous year on the shares now outstanding, a gain of 25% over last year.

Consolidated working capital was \$4,091,315 at the year end. This figure does not include the proceeds of a \$220,000 mortgage received after the close of the year on a completed store location nor the substantial funds advanced to our real estate subsidiaries to acquire property and to finance construction prior to the completion of the building when the proceeds of the permanent financing are received. The initial annual principal payment of \$226,000 on our term loan is due on January 1, 1956 and is reflected both in working capital and current liabilities.

Depreciation charges for the year were \$725,829, an increase of \$95,836 over the preceding year. Of this total, \$163,407 represents the depreciation of our real estate subsidiaries. Depreciation is based on the method consistently followed in prior years. For tax purposes, however, depreciation on assets acquired since December 31, 1953 has been taken on an accelerated method provided in the Revenue Act of 1954.

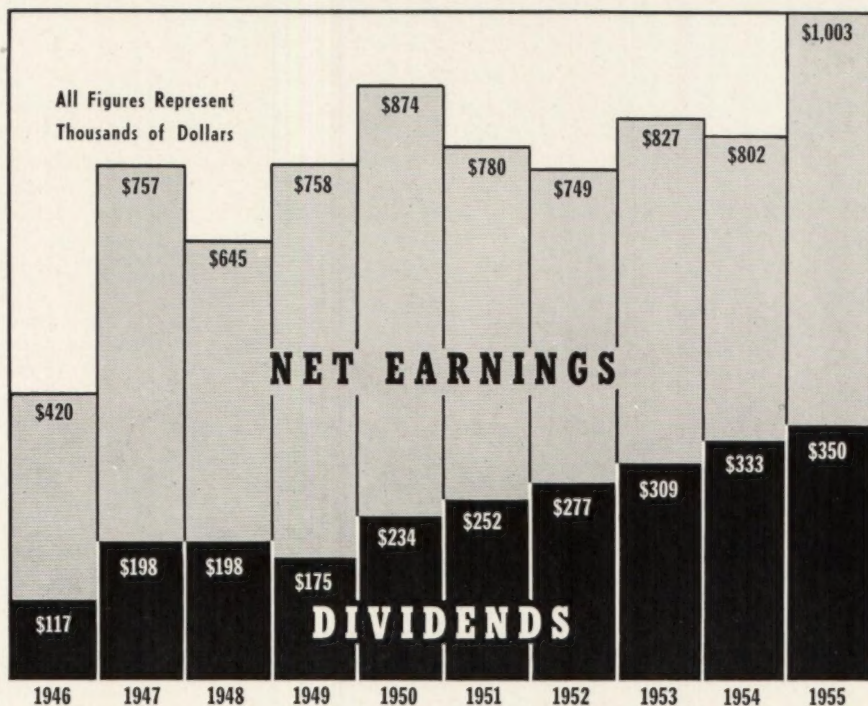
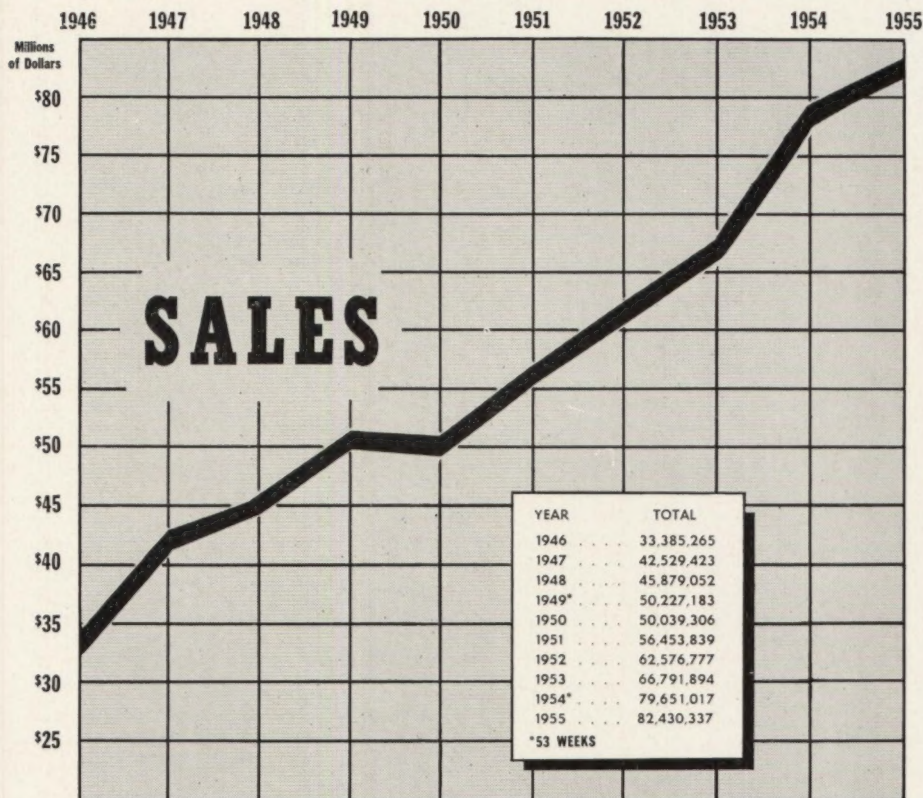
Quarterly dividends totalling \$1.00 per share and a 5% stock dividend were paid during the year.

During the past year we initiated an expanded new store development program. Four new stores were opened during the year. Three more have been opened since July 2nd, three more locations are under construction and plans are nearing completion for six other stores scheduled for completion this present fiscal year. These latest stores, as well as those now under construction and in the planning stage, represent a considerable increase in store size and standard of facilities over the average supermarket of the past few years, and represent a great forward stride in the rate and method of the company's future growth. We are greatly pleased with the reception of these new markets. We intend to devote our efforts to maintain this rate of new store growth. During the year 11 small stores were closed. We have added new facilities and equipment and replaced outmoded equipment in many stores.

At the year end we had 87 stores in operation, represented by

- 75 self-service markets
- 7 self-service grocery stores
- 3 service markets
- 2 bakery stores

Of these stores 54 now have an annual volume in excess of \$500,000 and the average annual volume of the stores in this group is about \$1,350,000, representing approximately 83% of the overall company volume, and 34 stores which account for 67% of our dollar sales are equipped with air-conditioning.



To serve our expanding volume adequately, we have just completed a new Perishable Food Distribution Center, covering 90,000 square feet of ground, across the street from our general office and warehouse. The 55,000 square feet formerly occupied by our perishable departments are being prepared for the needs of our grocery warehouse. Some departments of our general office are now located in the new building, making possible better working space in the general office.

The increase in store sales means more production for our central bakery which is well equipped to serve our growing needs. Retail bakery operations, with only one exception, have been converted to self-service during the past fiscal year. Our entire bakery line is now available in attractive packages.

Our real estate subsidiaries constructed the four new markets opened during the year and the three markets opened since the close of the year, and are now building two and planning others. In addition, they constructed a building under a long-term lease for W. T. Grant Company on our property in Hyannis, adjacent to our own store, as well as the new Perishable Distribution Center. All completed buildings have been financed by real estate mortgages and commitments have been arranged for all construction now underway. Although our real estate subsidiaries have built most of our new stores in the past few years and own a number of store sites, negotiations have also been concluded to have a number of stores built for us under lease as an individual store location, as part of a small development or in proposed major shopping center developments.

We anticipate that the substantial sums required for capital investment in the company's growth can be supplied comfortably by retained earnings and reserves for depreciation.

Wage costs have continued to rise along with the cost of most of the other services we buy. Retail food prices, however, are lower than they were two years ago. Operating efficiency and merchandising techniques must continue to improve constantly not only to offset these new costs of operation but to raise the level of the company's earnings.

The American public with a rising income and stable food prices can now enjoy more and better food than at any time in our history. Current forecasts for a continued high level of industrial activity and consumer purchasing power together with prospects for a plentiful supply of all principal food products indicate that our business for the current fiscal year should be good.

Our new stores mean new opportunities for Stop & Shop people. These new opportunities mean training not only for the new positions but for the replacements in the ranks of those promoted all the way up the ladder of job opportunity. Increased opportunity means greater esprit de corps. To handle our expanding business adequately, a number of changes have been made to strengthen our organization and to increase its efficiency. Stop & Shop recognizes and appreciates more than ever the important role that all its people, working together, have contributed to its growth and success over the years.

We present annually a report of the year that has passed, and our plans for the year ahead, to the company employees in the Annual Report Edition of "STOPICS." A copy will be mailed to all shareholders as soon as it is published.

Respectfully submitted,

Joseph Rabinovitz
President

STOP & S

Consolidated Balance

(Including wholly-owned)

Assets

CURRENT ASSETS:

Cash on hand and in banks.....	\$ 3,555,310.80
\$248,000.00 U. S. Treasury 2% Notes Series "B" due August 15, 1956.....	248,000.00

Accounts Receivable:

Due from trade debtors, including recharges to manufacturers, mu- nicipal relief agencies, and sundry claims less reserve.....	\$358,017.26
Due from employees.....	<u>5,921.92</u>
	363,939.18

Inventories:

Physical inventories evaluated at average invoice cost or lower than cost, reflecting market prices, located in the company's warehouses, in stor- age, in stores, in transit and in vendors' prem- ises.....	<u>5,693,224.61</u>
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<i>Total Current Assets</i>	\$ 9,860,474.59
Officers' life insurance at cash surrender value.....	160,170.60

INVESTMENTS OF WHOLLY-OWNED AFFILIATES:

In real estate owned in fee simple at cost (See Note 1)	\$11,025,828.21
Less — Reserve for depreciation of buildings	<u>992,394.09</u>
	10,033,434.12
Other Investments in Companies not controlled	75,005.60

FIXED ASSETS (at cost):

Real estate land and buildings.....	\$ 256,849.87
Store equipment, fixtures, etc.....	3,984,713.21
Warehouse and office equipment, fixtures, etc.....	348,358.11
Manufacturing machinery and equipment.....	1,403,110.14
Automobiles and trucks.....	<u>64,142.32</u>
<i>Total</i>	\$ 6,057,173.65
Less — Reserves for depreciation.....	<u>2,745,092.08</u>
	3,312,081.57

DEFERRED CHARGES TO OPERATIONS:

Unexpired insurance policy premiums at unearned values.....	\$ 72,776.02
Unamortized costs of rehabilitation of store loca- tions, (See Note 2).....	1,469,140.79
Construction, maintenance and store supplies.....	100,365.10
Unamortized expense on company long term debt.....	1,776.81
Prepaid rentals, etc.....	<u>25,760.31</u>
	1,669,819.03
	<u>\$25,110,985.51</u>

HOP, INC.*Sheet . . . July 2, 1955*

and affiliated companies)

*Liabilities***CURRENT LIABILITIES:**

Accounts payable — trade creditors on open account	\$ 3,826,986.94
Current amortization payments on term promissory notes	226,000.00
Current amortization payments on real estate mortgages of wholly-owned affiliates	504,496.03

Accrued Accounts:

Federal income taxes (estimated)	\$ 588,174.90
Commonwealth of Massachusetts income, excise and other state and municipal taxes	272,501.41
Social Security and unemployment insurance — federal and state contributions	91,168.75
Other accrued items including pay roll, rent, interest and employee profit sharing and bonuses	<u>259,831.15</u> <u>1,211,676.21</u>

Total Current Liabilities \$ 5,769,159.18

3 $\frac{1}{8}$ % PROMISSORY NOTE due January 1, 1966 (See Note 3)	1,364,000.00
3 $\frac{3}{4}$ % PROMISSORY NOTE due January 1, 1966 (See Note 3)	910,000.00
Purchase money obligations of wholly-owned affiliates under mortgages on real estate to be amortized by monthly and quarterly payments (See Note 4)	7,506,105.11

CAPITAL:

Authorized 500,000 shares of \$1.00 par value capital stock of which 358,537 shares are issued and outstanding (See Note 5)	\$ 358,537.00
Capital Surplus (See Note 5)	4,052,220.20
Surplus	<u>5,150,964.02</u> 9,561,721.22

\$25,110,985.51

STOP & SHOP, INC.

Consolidated Profit and Loss Statement

(Including wholly-owned affiliated companies)

	<i>Fiscal Year Ended July 2, 1955</i>	<i>Fiscal Year (53 Weeks) Ended July 3, 1954</i>	<i>Increase</i>
SALES (at retail).....	\$82,430,337.38	\$79,651,017.41	\$ 2,779,319.97
Less — Cost of sales and operations	80,492,937.56	77,988,019.92	2,504,917.64
	<u>\$ 1,937,399.82</u>	<u>\$ 1,662,997.49</u>	<u>\$ 274,402.33</u>
ADD OTHER INCOME:			
Cash discounts on purchases, interest income, etc.....	522,206.33	512,669.16	9,537.17
Profit on sale of capital assets ...	48,975.76	14,603.82	34,371.94
Profit before deducting depreciation, interest and federal income taxes..	<u>\$ 2,508,581.91</u>	<u>\$ 2,190,270.47</u>	<u>\$ 318,311.44</u>
DEDUCT:			
Depreciation of buildings, equipment, trucks and automobiles (See Note 6).....	\$ 725,829.47	\$ 629,992.58	\$ 95,836.89
Interest on unsecured term loans..	84,455.66	85,974.19	1,518.53*
Total.....	<u>\$ 810,285.13</u>	<u>\$ 715,966.77</u>	<u>\$ 94,318.36</u>
Net profit before deducting federal income taxes.....	\$ 1,698,296.78	\$ 1,474,303.70	\$ 223,993.08
Less — Federal income taxes (estimated).....	694,779.21	672,269.73	22,509.48
NET PROFIT TO SURPLUS.....	<u>\$ 1,003,517.57</u>	<u>\$ 802,033.97</u>	<u>\$ 201,483.60</u>

*Decrease

Consolidated Surplus Statement

Fiscal Year Ended July 2, 1955

BALANCE, July 3, 1954.....	\$ 4,748,174.15
Add — Reserve for future inventory devaluation and relocation of plant facilities	200,000.00
	<u>\$ 4,948,174.15</u>
Add — Net profit for the fiscal year ended July 2, 1955..	1,003,517.57
	<u>\$ 5,951,691.72</u>
Deduct:	
Cash dividends paid — \$.50 a share on 341,464 shares outstanding.....	\$ 170,732.00
Cash dividends paid — \$.50 a share on 358,537 shares outstanding.....	179,268.50
	<u>350,000.50</u>
	<u>\$ 5,601,691.22</u>
Deduct — 5% capital stock dividend.....	450,727.20
BALANCE, July 2, 1955.....	<u>\$ 5,150,964.02</u>

STOP & SHOP, INC.

Notes Relating to Financial Statements *July 2, 1955*

- NOTE 1. Cost of land and buildings of various locations acquired by parent's wholly-owned affiliates and leased to it for sundry terms running to 25 years.
- NOTE 2. The amortization of store rehabilitation costs is spread over the life of each lease affected.
- NOTE 3. The note for \$1,500,000.00 bearing interest at the rate of $3\frac{1}{8}\%$ per annum is dated January 1, 1951 and the note of \$1,000,000.00 bearing interest at the rate of $3\frac{3}{4}\%$ per annum is dated May 8, 1951. Payments on account of principal of these notes are required at the rate of \$136,000.00 and \$90,000.00 respectively beginning with January 1, 1956 and on January 1st of each subsequent year.
- NOTE 4. Term loans with sundry maturities to 25 years and not assumed by either the parent or its affiliates, are, nevertheless, secured by mortgages and assignment of leases running from the parent to its affiliates.
- NOTE 5. The Capital Surplus was increased during the year by \$433,654.20 and capital stock by \$17,073.00 resulting from a 5% capital stock dividend paid on February 15, 1955.
- NOTE 6. The same rates of depreciation were applied to the cost valuation of the depreciable property as were applied in the previous year. The depreciation charge of real estate buildings owned by wholly-owned real estate affiliates amounted to \$163,407.69 as compared with \$139,771.48 for the preceding year. Depreciation deductions for the purpose of ascertaining the federal income tax liability were computed on an accelerated basis permitted by the applicable provisions of the 1954 Revenue Act.

Accountants' Certificate

We have made an examination of the books and accounts of Stop & Shop, Inc., including its wholly-owned affiliates, for the fiscal year ended July 2, 1955. In accordance with generally accepted auditing standards applicable in the circumstances, omitting no procedure inherent therein, this examination consisted of a detailed audit of such transactions that we believed to be important, that were effected during the fiscal year above stated, but did not include a detailed audit of all transactions. We have verified by outside confirmation such of the balance sheet items we deemed appropriate and necessary; and we are of the opinion, by reason of our familiarity with the controls and accounting records of the companies, and having applied necessary auditing procedures, that those items not verified in this way are correctly stated.

In our opinion, based upon such examination, the attached financial statements and their relative notes attached hereto fairly present, in accordance with generally accepted principles of accounting applied on a basis consistent with previous years, the financial position of the companies at July 2, 1955 and earnings for the fiscal year ended with that date.

MYRON HELLER & COMPANY
Certified Public Accountants

By: MYRON HELLER, C. P. A.

Boston, Massachusetts
August 18, 1955



